

NORTHEAST WASHINGTON REGIONAL SUPPORT NETWORK
DBA NEWRESN
Stevens County, Washington
January 1, 1992 Through December 31, 1993

Schedule Of Findings

1. NEWRESN Should Comply With Federal Cash Management Requirements

During 1991 and 1992, funding for the Alcohol and Drug Abuse and Mental Health Services Block Grant (CFDA 93.992) exceeded needs. NEWRESN requested federal funds at the rate of one-twenty-fourth of the two-year grant per month rather than on actual needs. Federal funds accumulated faster than claims from subrecipients. NEWRESN invested the excess funds, earning \$1,572 in interest. By the close of the grant, NEWRESN had expended all the federal funds and kept the interest. The retained interest income is shown in the Schedule of Questioned Costs which appears later in this report.

The Compliance Supplement for Single Audits of State and Local Governments states in part:

Grantee financial management systems shall include procedures to minimize the time elapsed between the transfer of funds from (primary recipients to secondary recipients).

The grant agreement between NEWRESN and the Washington State Department of Social and Health Services (DSHS) stated that federal funds could be requested for allowable and allocable costs. The contract did not address interest income because DSHS did not intend to provide cash advances of federal funds.

The cash management procedures used by NEWRESN resulted in an accumulation of federal funds in excess of the needs of secondary recipients.

NEWRESN was created in 1990. Management, inexperienced with federal grant procedures, submitted claims for the federal grant in the same manner it was authorized to receive its state funding. Management was not aware that it was improper to request federal funds in advance of needs. In addition, management did not know that it was required to return interest earned on federal funds.

We recommend policies and procedures be developed to assure the time between receiving federal funds and the distribution of those funds to subrecipients is minimized.